

DCI BRIEFING

16 May 1961

VENEZUELA

I. Continuing public violence and subversive activity against President Betancourt prevent regime from concentrating efforts on solution economic problems.

A. Betancourt suppressed serious attempt of Communist-pro-Castro groups to oust him in late 1960.

25X1



II. Venezuela's three-year economic decline leaves Betancourt vulnerable to attacks from both rightist and leftist-Communist opposition groups.

A. Key elements in decline: world oil surplus and uncertain outlook for industry in Venezuela; 4 years unbalanced budgets with total deficit about \$1 billion; long-term decline foreign exchange reserves; loss of business confidence.

B. Government announced austerity program in early May to include 10 percent cut government salaries, increased taxes (not affecting foreign oil companies), and reduction costs government economic enterprises, now operating at a loss of probably more than \$100,000,000 annually.

32-1

S E C R E T

1. Government previously had failed to take politically unpopular remedial measures, such as discharge about 20,000 excess employees of government departments and government corporations.
- C. Betancourt seeking large loans from US on "politically" urgent basis to meet financial situation, suggesting he believes economic deterioration a threat to his stability.
- D. Restrictive policies hampering key foreign oil industry are partly responsible for sharp decline in reinvestment in this field, and have probably frightened away some new investment in other fields.

32-2

S E C R E T